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Date: September 3, 2019 – Hand Delivered

To: Chair Tommy Waters, Committee on Public Safety and Welfare
Council Member Joey Manahan

From: Joy Gold 

Subject: Cost Comparisons of PS Food Service and Compostable Containers – In Follow-up to August 29, 2019 Bill 40 Hearing

19SEP 3 AM 10:29 CITY CLERK

Chair Waters and Council Member Joey Manahan, I apologize for the delay in getting this to you in follow-up to the August 29, 2019 hearing's questions about cost-comparisons. I flew to Kamuela Friday for my son's Celebration of Life services and returned on Sunday. Monday, September 2 was the Labor Day holiday.

I have attached KYD's PS foam and compostable cost comparisons for a variety of food packaging products. In addition I have included an excerpt from the City Auditor's study estimates for impact on local restaurants.

It is important to note that while the unit price for some products may be as little as \$.06, business owners purchase inventory by the case and not unit price. Further, cost varies based on the quality of compostable Products; for example, see price comparisons of pulp versus potato base products.

I can be reached at 808-368-1146 if there are any questions. Thank you.

MISC. COM. 530



KYD, Inc. dba k. yamada distributors

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COST COMPARISONS, FREIGHT INCLUDED

Note: The sales prices are subjective because the wholesaler may sell it with a higher/lower margin. Ultimately, it is the end-user that pays for it.

COST COMPARISONS, FREIGHT INCLUDED IN PRICING					
		COMPOSTABLE COST/CASE (CS)	FOAM P.S. COST/CS	CS COST DIFF	UNIT PRICE DIFF
8" x 8"	HINGED CONTAINERS PULP (HIGHER END) 200/CS	54.00/CS	20.00/CS	34.00/CS	+ 0.17 CENTS MORE / EACH
8" x 8"	HINGED CONTAINERS PULP (STANDARD) 200/CS	52.56/CS	20.00/CS	32.56/CS	+ 0.163 CENTS MORE / EACH
9" x 9"	HINGED CONTAINERS PULP (STANDARD) 200/CS	61.16/CS	29.56/CS	31.60/CS	+ 0.158 CENTS MORE / EACH
6" x 6"	HINGED CONTAINERS PULP (STANDARD) 300/CS	79.36/CS	29.94/CS	49.42/CS	+ 0.165 CENTS MORE / EACH
10"	PLATES COMPOSTABLE (POTATO BASE - HIGH END) - 500/CS	80.00/CS	35.00/CS	45.00/CS	+ 0.09 CENTS MORE / EACH
8.3" X 4.3"	PULP TRAY 500/CS (STANDARD)	60.00/CS	20.00/CS	40.00/CS	+ 0.08 CENTS MORE / EACH
STANDARD COFFEE CUP	STANDARD COMPOSTABLE COFFEE CUP W/ PLANT BASE LINING 500/CS	55.00/CS	22.50/CS	32.50/CS	+ 0.065 CENTS MORE/EACH
STANDARD SOUP BOWL	STANDARD COMPOSTABLE SOUP BOWL 12 OZ W/ PLANT BASE LINING 500/CS	105.00/CS	40.00/CS (12 OZ)	65.00/CS	+ 0.13 CENTS MORE / EACH

While the unit price differences for compostable and foam PS cost varies from \$.06 to \$.17, food service operators buy by the case. So the case price difference is what matters to the food service operator.

It's easy to see that some of local-style foods will not do well in the pulp containers. KYD customers like the feel of the higher end potato-based plate. It's sturdy, nice weight and local style foods will not soften, bend or leak from it. However, when customers see the case price difference of \$45.00 compared to foam containers, they say, "Too expensive."

While some people may do home composting, the vast majority of residents and businesses using compostable products probably do not. Without a commercial composting facility, compostable and EPS foam containers go to the landfill, where nothing degrades due to the lack of air and moisture to allow for bacteria to breakdown material.



Exhibit 3.4
Monthly and Annual Cost Estimates for Non-Polystyrene
Food Containers by Types of Restaurants

Type	Monthly Cost Increase Estimate	Annual Cost Increase Estimate (Monthly x 12)
Total	\$ 294.64	\$ 3,535.68
Small Restaurant (1-10 employees)	\$ 293.75	\$ 3,525.00
Medium Restaurant (11-50 employees)	\$ 222.72	\$ 2,672.64
Large Restaurant (50 or more employees)	\$ 420.00	\$ 5,040.00

Source: OmniTrak and Office of the City Auditor

To supplement the OmniTrak survey, we interviewed other owners. For many of the owners we interviewed, the monthly cost increase to comply with a single-use PS food container ban would reduce their monthly profits by up to 30% of their current net profit if they did not raise prices or attempt to cut costs. Overall, the cost of take-out supplies was not a major cost for most restaurant owners. However, when combined with a tight operating margin, any large increase in food container costs could make a big difference in operating results. This was the experience of most small mom-and-pop restaurant owners we interviewed.

Most businesses do not know how increases in container costs will affect their menu prices

A majority (70%) of respondents stated that they did not know the average take-out container cost increase that would need to occur before they increased their menu prices. Eleven percent (11%) of the respondents stated that it would have to cost more than a \$1.00. Nine percent said it would have to be a price increase of between \$0.01 and \$0.20 cents. Owners we interviewed did not know how price increases would change their menu prices.

Some small businesses are important for the preservation of local character and uniqueness

Many well-known local restaurants have gone away because no one wants to continue running the business, or they have fallen due to high costs. Some of these small businesses face the same challenges to conform their business operations to regulatory requirements. This is not to say that certain businesses should be propped up by the government. Locally, if some of these unique Hawai'i restaurants are unable to respond to increased costs due to a single-use PS food container ban, then pieces of local cultural heritage and tradition may be lost.